



*Connecticut Business & Industry Association*

TESTIMONY  
BEFORE THE  
LABOR AND PUBLIC EMPLOYEES COMMITTEE  
LEGISLATIVE OFFICE BUILDING  
MARCH 8, 2007

- **HB 6678, An Act Increasing the Availability of Health Care for Connecticut Workers**
- **HB 7314, An Act Establishing the State Health Insurance Purchasing Program**

My name is Eric George and I am Associate Counsel for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing less than 50 people.

The issue of health care is very important to the business community as we have seen health care costs skyrocket over the years. After numerous years of double-digit and near-double-digit increases, health insurance has quickly become a product that many people and companies find they can no longer afford. In addition, the cost of health care directly affects businesses' ability to create new jobs. In fact, according to CBIA's latest survey of our membership, over three-quarters of our members indicated that rising health benefit costs are negatively affecting their ability to hire additional workers.

**HB 6678, An Act Increasing the Availability of Health Care for Connecticut Workers**

With that, CBIA would like to offer comments on **HB 6678, An Act Increasing the Availability of Health Care for Connecticut Workers**. The bill is in proposed bill format and does not provide any details as to how it will provide universal health care for all Connecticut residents. CBIA strongly supports increasing access to health insurance through measures that improve the quality of health care and reduce its cost. Since the bill is in proposed bill format, we must reserve final judgment to see the details of the legislation.

While CBIA strongly supports driving value in our state's health care system by improving quality, reducing costs and thereby increasing access, we strongly oppose efforts to undo our employer-sponsored health insurance (ESI) system. Such an abolition of ESI could have devastating effects in terms of the quality of care that residents would

receive as well as on the economic vitality of the state through the jobs that would be lost in the health insurance industry under a single-payer system.

Connecticut's ESI system is a model for the country, with the state receiving an "A" from the Corporation for Enterprise Development in terms of ESI. Imposing a single-payer system would eradicate our state's model system of ESI.

According to the Connecticut Health Insurance Policy Council:

[ESI] is now and should remain the primary source of health benefits for working individuals and their families, and the primary source of initiatives on issues of wellness, cost containment and quality. That system needs to be built upon and strengthened, not weakened by governmental action. Connecticut does not need, nor can it afford, a single-payer system that would require an extraordinary redirection of public and private funding and create a new governmental bureaucracy, while at the same time casting aside the role and demonstrated capabilities of the private sector in achieving broad and significant health reform goals.

A tax-funded single-payer system would produce very large dislocations in every aspect of our health care and health insurance system and would seriously challenge state finances. As we have seen in the current Medicaid program, taxpayer funded health care tends to underpay providers as rising costs bump up against funding limits set by the Constitutional spending cap. So called single-payer systems will not necessarily restrain costs without considerable rationing of care and are inconsistent with the way in which most Americans want their health care decisions made... Further, the private sector has been the source of almost all of our nation's advances in encouraging wellness and prevention and creating systems to better manage cost and quality. A government-run system of any kind would surely sacrifice that critical source of innovation and improvement. Since almost two-thirds of uninsured adults are working full or part time and 64% of our population has ESI, the single most important step that can be taken to increase insurance coverage is to assure that employers provide, and employees participate in, work-based coverage.

The state currently underfunds its Medicaid obligations to hospitals to the tune of approximately 70 cents on the dollar for their costs (with a portion of this shortfall being picked up by the private sector, according to a recent Program Review and Investigations report). So, the prospect of the state being charged with paying for an entire new taxpayer funded system could result in lower quality as rationing might result.

Again, CBIA strongly opposes any effort to abandon our current, time-tested, employer-based health care system. In addition to the reasons stated above, such an effort would put thousands of health insurance industry jobs at risk.

### **HB 7314, An Act Establishing the State Health Insurance Purchasing Program**

In addition, CBIA strongly opposes several provisions contained in **HB 7314, An Act Establishing the State Health Insurance Purchasing Pool Program**, which would establish a government-run health insurance purchasing pool program. Section 11 of **HB 7314** creates a new pay or play health care tax on employers to pay for this new program; a tax similar to the one recently overturned by the federal courts in Maryland for violating the Federal Employee Retirement Income Security Act (ERISA). This costly new tax would set Connecticut apart from virtually every other state in the nation by requiring employers to pay for employee health insurance through this government-run pool if they are not currently providing coverage or if their plan is not rich enough.

CBIA wants to see greater access to health care by decreasing health care costs and improving quality, but imposing a new tax on employers to pay for this proposal will only drive up business costs and make it more difficult to create and retain jobs in Connecticut, where the job market is already fragile.

Connecticut employers are among the nation's leaders in providing health insurance to their employees. In fact, and as stated earlier, Connecticut receives an "A" for ESI according to the Corporation for Enterprise Development.

In addition, site locators (professionals who help businesses find new operating locations) have repeatedly said that Connecticut's 2005 pay or play health care tax proposal dealt a "devastating blow" to the state's economic image and promoted an anti-jobs and anti-competitive perception about the state.

In addition to our concerns with the pay or play tax imposed by **HB 7314**, we are also concerned that this new purchasing pool will not be required to comply with Connecticut's very beneficial and price-stabilizing small group reforms under Section 38a-567 of the general statutes. These reforms have brought predictability and sustainability to a one-time unpredictable and volatile small group marketplace.

CBIA would like to thank you for giving us an opportunity to provide our thoughts on **HB 6678** and **HB 7314** and we look forward to working with you as you consider this issue further.

